INFLUENCE OF MANAGEMENT PRACTICES ON REPAYMENT OF THE YOUTH ENTERPRISE FUND LOANS AMONG YOUTH GROUPS IN LIMURU, SUB-COUNTY, KIAMBU COUNTY, KENYA

BY

BONFACE KAMAU NGIGI

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2014
DECLARATION

I hereby declare that this research project is my original work and any resource material referenced thereto has been duly acknowledged.

Bonface Kamau Ngigi

L50/65412/2010

Signature____________________________ Date ________________

This research project has been submitted for examination with approval my approval as the University Supervisor

Dr. Lydia N. Wambugu

Lecturer, Department of Extra Mural Studies

University of Nairobi

Signature____________________________ Date ________________
DEDICATION

This project is in memory of my late daughter Cecilia Wangui Kamau who passed away at the age of two and a half years due to chronic renal failure, my daughter Maryann Wamaitha Kamau and my wife Lillian Njeri Kamau for their support, encouragement and prayers.
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ABSTRACT

The purpose of this study was to investigate the influence of management practices on repayment of the youth enterprise fund loans among youth groups in Limuru Sub-county. The following objectives guided the study; to examine the influence of group leadership styles; to establish the influence of youth group management’s financial literacy; to establish the influence of the group members’ business experience and to investigate how corporate governance in the youth enterprises influences the loan repayment. This study was guided by the contract theory and the group loan repayment models. This study used descriptive survey research design. The target population was individuals within youth groups with access to Youth Enterprise development Fund in Limuru Sub-county during the period 2007/2008 to September 2012. Stratified Random sampling was used to select the youths. Simple random sampling was used to select the strataums’ to study as well as the youth within the youth groups to sample. Primary quantitative data was collected from the youth using a semi-structured questionnaire. A pilot study/ pre-testing of the questionnaire was administered to a small sample of the youths (10% of respondents) and research experts and professionals in the areas of micro-enterprise funding, more specifically youth funding so as to assess the capability of the survey instruments to collect the required data for the survey. Validity of the questionnaires was tested using test-retest technique with a correlation coefficient of 0.8 hence the instruments were reliable. All the quantitative data was analyzed using SPSS, Ms Excel and related software. The findings were presented using tables and charts, percentages, tabulations, frequencies and means. Analyzing the qualitative data involved content analysis by reading through the interview or focus group transcripts and other data, developing codes, coding the data, and drawing connections between discrete pieces of data. The following were the findings of the study, the study revealed that 47.5% of the respondents were involved and 86.0% of the respondents were satisfied with the group leadership hence influencing loan repayment. The study revealed that half of the respondents were helped by the financial management training received by some group members and 59.3% of the respondents did not feel helped by the members with financial management experience. The study established that (42.3%) respondents had business experience of 5-8years. On the effect of corporate governance, 46.6% of the respondents said the group members were highly involved in management of the group. The study established that majority of the respondents 83.9% had gotten a loan. The following conclusions were drawn; a majority of the members were involved in the decisions making with their groups, hence had a positive attitude towards the group leadership. Financial literacy on loan repayment was very important. Respondents with business experience mentored those who did not have any experience in making informed decisions. Cooperate governance is very important in all that people do this helps groups to evaluate their leaders and decision on wise investment. The groups should be encouraged to make their loan repayment in order to get more money from the government encouraging them to grow further. The following recommendations were made, funds management needs to make it clear that the members of the groups need to be adequately involved in making of the group decisions; government through its officers in the YEDF should consider making financial management training provisions to the groups in the initial stages before the disbursement of the loan monies. Training in the development should be conducted for all the groups. Ministry employees should be trained on the required skills of micro-credit while a regular capacity building among the youths should be affected so as to empower them.
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<td>African Development Bank</td>
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<tr>
<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<tr>
<td>CNCA</td>
<td>Caisse Nationale de Crédit Agricole de Burkina Faso</td>
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<td>C-YES</td>
<td>Constituency Youth Enterprise Scheme</td>
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<td>GOK</td>
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1.1 Background of the Study

Group lending has gained popularity from both the donor community and the non-governmental organizations (NGOs) in the past decade. Encouraged by the reported success of the Grameen Bank, over 100 replications have sprouted up worldwide with widespread financial support from donor agencies. “Grameen style” lending is characterized by loans to small groups of borrowers that are jointly liable for the loans granted to each member of their group. The loans are intended for clients who do not meet the wealth requirements of the formal banking system. Since the clients have little material wealth, no collateral requirement exists. The only guarantee on the loan is the joint liability. The prevailing adulation of group lending stems from its reported empirical success and its favorable review in the development finance literature. Most papers on group lending accept the assumption that peer pressure and group solidarity are enigmatically causing groups to function properly and bolstering repayment rates in developing countries. Justification for group lending is that it provides pecuniary returns, especially to women and youth who have no other means of exerting their independence in society.

The Youth Enterprise Development Fund was conceived in June 2006 by the Government of Kenya (GOK) as a strategic move towards arresting unemployment which has kept on increasing day by day in Kenya. From statistics, Seventy five percent (75%) of those unemployed are the youth thus making them more vulnerable to drug abuse and other forms of bad behavior. On 8th December 2006 the GOK gazettes the youth Fund to provide the necessary legal framework to govern its use and operations the fund offers loans of all forms to youth owned enterprises in a revolving fund. The loans are offered to youths as a company, in groups, in cooperatives or any other legal forms of business ownership. The government set aside Kenya shillings One billion (Ksh.1billion) in the 2006/07 budget to fast-track this noble and timely initiative of youth fund (www.yedf.go.ke).
The Fund facilitates youth employment through enterprise development and structured labour export by providing capital for the youth which in turn they repay to the Fund at reasonable arrangements. The objectives of the Youth Enterprise Development Fund (YEDF) are; provide loans to existing micro-finance institutions (MFI), registered non-government organizations (NGOs) involved in micro financing, and savings and credit co-operative organizations (SACCOs) for onward lending to youth enterprises; attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises; support youth oriented micro, small and medium enterprises to develop linkages with large enterprises; facilitate marketing of products and services of youth enterprises in both domestic and international markets; and facilitate employment of youth in the international labour market (YEDF guide, 2009).

In Limuru Sub-county, the YEDF has been giving loans to youths in youth groups to assist them in developing their business and creating wealth for them. Since its inception in 2007, the fund has been able to disburse financial loans to forty groups up to a total of Ksh. 3,150,000 in the form of Constituency Youth Enterprise Scheme (C-Yes) Loans which is a category meant for youth groups and Ksh. 950,000 to individuals as at April 2012 (Ministry of Youth Affairs and Sports, Limuru Sub-county Status report for groups funded by youth fund 2007/2008 to September 2012). Out of this amount, a total of Kshs. 1,299,305 has been recovered.

1.2 Statement of the Problem
The Government of Kenya has provided micro-credit through various credit programs (such as the District Trade Development Joint Loan Board, the Rural Enterprise Fund, and Kenya Industrial Estates). Government credit programs operate on a revolving-fund basis whereby new loans can be made as existing loans are repaid. Available information, however, shows that repayment has been poor (either slow or nonexistent) and program sustainability has been compromised. As a result of poor repayment, a number of joint loan boards are dormant and others have substantial amounts committed to non-performing loans. For example, the Rural Enterprise Fund is defunct, having collapsed with substantial outstanding balances. Ikiara (cited in Nasiuma 2003) found that business
owners assisted by Kenya Industrial Estates do not pay their debts on time or do not pay them at all, thus constraining that program’s ability to help other enterprises.

With such dismal performance, most government credit programs have failed to achieve their predetermined objectives and have caused huge monetary losses. To advance the understanding of weaknesses in such programs, this study is designed to investigate the influence of management practices on repayment of the youth enterprise fund loans among youth groups in Limuru Sub-county.

The study focused on the Youth Enterprise Development Fund, a government micro-credit program, covering its performance in terms of disbursement and loan recovery from youth micro entrepreneurs who received financial support during the period 2007/2008 to September 2012.

1.3 Purpose of the Study
The purpose of this study was to investigate the influence of management practices on repayment of the youth enterprise fund loans among youth groups in Limuru Sub-county.

1.4 Objectives of the Study
The study was guided by the following objectives:
1. To examine the influence of group leadership styles on the repayment of YEDF loans in Limuru Sub-county
2. To establish the influence of youth group management’s financial literacy on the repayment of YEDF loans in Limuru Sub-county.
3. To establish the influence of the group members’ business experience on the repayment of YEDF loans in Limuru Sub-county.
4. To investigate how corporate governance in the youth enterprises influences the loan repayment in Limuru Sub-county.
1.5 Research Questions

The study answered the following research questions:

1. How does the youths’ group leadership influence the repayment of YEDF loans in Limuru Sub-county?
2. How does youth group management’s financial literacy influence the repayment of YEDF loans in Limuru Sub-county?
3. How does the group members’ business experience influence the repayment of the fund in Limuru Sub-county?
4. How does corporate governance in the youth enterprises influence the repayment of YEDF loans in Limuru Sub-county?

1.6 Significance of the Study

The study is important in helping the youth groups’ management formulate proper strategies that will work towards understanding the best way to run the micro, small and medium enterprises leading to profits and from which they could be able to repay the loans advanced to them from the Youth Enterprise Development Fund. The study will also make recommendations of the best leadership style, group constitutional clauses and training needs for youth leaders that will facilitate ease in loan repayment.

Findings of this study may be crucial to the government in policy formulation especially on matters relating to the leadership of the financed youth groups to ensure that the funds are put in the hands of able leaders who will use proper management practices to ensure that the loans are repaid in time as agreed. The government may benefit from the study in terms of insights on providing loans to existing micro-finance institutions (MFIs), registered non-governmental organizations (NGOs) involved in micro financing, and savings and credit co-operative organizations (SACCOs) for on-lending to youth enterprises. The Government may also understand the distribution of the fund thus ensuring that the objectives of the fund are achieved and that more jobs are created by the youths and the cases of corruption are checked and eradicated appropriately.

The study may provide information to donors about youth group management practices and how they influence loan repayment. This may enable them to understand how to
screen the groups for loans for facilitating investment in micro, small and medium enterprises oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises and facilitate employment of youth in the national and international labour market. This study may provide scholars and researchers with more literature on the topic of the study and even point out areas of further study in the area of Youth Enterprise Development Fund.

1.7 Delimitation of the Study
This study focused on the individual youths within youth groups who have been advanced loans from the Youth Enterprise Development Fund in Limuru Sub-county. This enabled the researcher draw descriptive and inferential conclusions on the overall goal of this study is to understand the influence of group management practices or group dynamics on the success of the fund in Limuru Sub-county.

Due to the constraints of time and resources in terms of finances, the researcher was not able to study youths in all the youth groups funded and but were selected a representative sample of youths and youth groups to be involved in the study.

1.8 Limitations of the Study
The researcher sole aim was to personally administer the questionnaires so as to enhance the rate of returned responses from the respondents. While the study concentrated on the Youths within youth groups in Limuru Sub-county, the researcher foresees a challenge in securing the group members precious time considering their busy working schedules. The researcher made proper arrangements with group members to avail themselves for the study off-time hours as well as motivating the group members on the importance of the study. The researcher also had to exercise utmost patience and care and in view of this the researcher has to make every effort possible so as to acquire sufficient data from respondents.

The researcher experienced some reluctance on the side of the youths and youth groups in disclosing the necessary information for the study as they thought that the study is witch hunting for those who have not repaid the loans and used the funds in constructive
activities. The researcher therefore strived to create rapport with the respondents and clearly explain the objectives of the study so as to get the required data.

1.9 Assumptions of the Study
The study was based on the following assumptions:
1. The youth groups who have taken loans are repaying.
2. The youth groups are easily accessible.

1.10 Operational Definitions of Significant Terms

**Business Experience:** The event where a youth was previously involved with any other gainful economic activity for the purpose of making profit.

**Corporate Governance** The rules and laws that oversee the running of the groups to enable them achieve their group’s objectives.

**Financial Literacy** The knowledge of accounting for the YEDF loan among the group loan members that will assist the group in the repayment of the loan

**Group Leadership Styles** The act of the group officials influencing the other group members to repay their YEDF loans on time.

**Group Members** A team of members of the same group who work for a common good for every member.

**Management Practices:** Are methods or techniques found to be the most effective and practical means in achieving an objective (such as enhancing repayment of YEDF or minimizing loan default) while making the optimum use of the firm's resources.

**Repayment:** Is the act of paying back money previously borrowed from the Youth Enterprise Development Fund. Repayment usually takes the form of periodic payments that
normally include part principal plus interest in each payment. The other common method of repayment is a lump sum with interest at maturity.

**Youth Enterprise Fund**

Is an organization within Limuru Sub-county engaged in the trade of goods, services, or both to consumers having been established using funds from the Youth Enterprise Development Fund.

**Youth Group:**

Entity comprising of youths registered and recognized by the Ministry Youth affairs and sports.

**Youths:**

A youth is any individual who attained the age of 18 and has been advanced a loan from the Youth enterprise development fund within Limuru Sub-county.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter sought to look at what other scholars have who have carried out their research in the same field of study which are closely related to the theme and the objectives of the study. The chapter also exemplified the theoretical and conceptual frameworks that guided the study.

2.2 Concept of the youth fund
Nearly half of the world's population is under 25 years (ILO, 2004). The International Labor Organization estimates that 351 million children under the age of 18 are economically active. The UNFPA research estimates that there are 1.2 billion young people. As effective as Micro Financing (MF) has become as a development tool for poor women, unmarried working young people have been left out of the adult focused formal and informal lending sectors. Unmarried young people of legal age have been relegated to the sidelines accessing MF services due to perceived risk, age and status in society. Many young people work long hours and accept low wages in the informal sector (Carothers, 2003). Some young people who work combine education (school, vocational training or apprenticeship) with paid work and while this allows children and youth to continue their education, their ability to perform well can be compromised. The ability of children or youth to control the scheduling of their work can allow them to improve their educational performance and controlling work schedules can be done when children or youth operate their own businesses.

Unfortunately, one of the biggest constraints to young people in business is access to financial services (credit and saving services). The expected young people growth rates will increase by 30 percent by 2012. The growing population and high unemployment rates affecting youth disproportionately making a strong case for Micro Finance services to support young people owned enterprises. By working with the next generation, Micro Finance could expand its market base. MFIs may be pioneering strong customer loyalty and relationship building for a young market that will be with them for years to come. Poor working young people are creative, persistent and resourceful and they have learned
to think like adults on how to sell, ration, budget and manage risk either completely on their own or with families and/or community networks.

Despite the fact that these younger entrepreneurs are self-learned, they are sales savvy, quick with complex math transactions and hardworking, they cannot access financial services. It should be said that not all children and youth will be entrepreneurial nor may microfinance be appropriate for their needs (CGAP, Focus notes). However, there are competent and viable young entrepreneurs and businesses that employ young people who are in need of credit to run their enterprises more efficiently – and safely – and are viewed as too risky and un bankable.

The prevailing adulation of group lending stems from its reported empirical success and its favorable review in the development finance literature. Most papers on group enterprise lending accept the assumption that peer pressure and group solidarity are enigmatically causing groups to function properly and bolstering repayment rates in developing countries. After all, everybody has experienced the effects of group pressure or of helping each other (Karlan, 2004).

Many advantages to group lending are cited in the literature. An often cited justification for group lending is that it provides pecuniary returns, especially to Youths and women who have no other means of exerting their independence (Berenbach and Guzman 1993, Khandker, Khalily, and Khan 1994, Goldberg and Hunte, 1995). The argument is that group credit gives youths and women self-esteem, mutual trust, empowerment, and other “psychic benefits.” Other benefits attributed to group lending are the access to credit, training, and organizational inputs, reduction of lending and borrowing transaction costs (Adams, 1981, Braverman and Guasch 1993, Khandker, Khalily, and Khan (1994) and higher repayment rates than under individual lending programs (Bratton (1986, Harper, 1995).

Several perceptive authors have drawn attention to the potential pitfalls of group lending. Hossain (1988) explores the cultural roots of group activity and warns of the need for group credit programs to be sensitive to varying cultural norms, values, and cognitive
structures. Also, some of the critics question assumptions that transactions costs are indeed lower to borrowers and lenders under group lending. The time commitments of group members are enormous and group mobilization and training cause high administrative costs (Huppi and Feder 1989, Khandker, Khalily, and Khan 1994).

In addition, Huppi and Feder (1989) challenge the notion that repayment rates are truly higher for group lending operations. Instead, they suggest that loan repayment performance is a function of counteracting negative and positive externalities. The domino effect is one that has been witnessed in a variety of group lending programs. Innumerable cases, group lending starts strong with 100 percent repayment, but after a few months or years, certain areas experience widespread default. This may be explained by an inherent “matching problem” causing certain individuals to default, followed by a domino effect of borrowers defaulting due to their loss of effective incentives.

The common wisdom about group lending has several basic tenets. Group lending reduces costs, increases repayment, and uses homogeneous groups that exert peer pressure and help each other in times of need. Upon closer examination, each of these gossamer tenets pulls apart in some instances. The challenge to economists and develop finance practitioners is to develop a better understanding of when group lending functions well and when traditional assumptions about group dynamics do not hold.

Odondo (2005) in his survey on small enterprises in poverty reduction in Rongo Division established that women joined groups and received loans which they used to start up businesses which included food kiosks, salons, hard wares, restaurants, tailoring shops and cereal shoes. The groups also get guidance from the Social Development Officer on how to invest the accumulated savings. He further established that although the groups were participating in economic empowerment of women, they were not doing enough due to constraints like insecurity and poor infrastructure.

Mwangi (2007) in her study on women entrepreneurs in Uhuru market, Nairobi found out that most of the women were the source of livelihood and take total responsibilities for their families. She interviewed sweater, clothes and bag makers and established that
majority of them had joined women groups which enabled them to buy knitting yarn and cloth in bulk thus enjoying economies of scale. Since these are items that do not change much like school uniforms, sweaters and bags, they had been in business for long as they did not suffer the effect of change in tastes and fashion ensuring survival of the businesses (The Steadman Group Survey, 2009).

2.3 Group Leadership Styles

Leadership style and the effectiveness of interactions between leaders and their subordinates are important determinants of team success in any hierarchical organization. Dependent on the way in which leaders exercise their authority, several studies in economics, psychology and management identify two major leadership styles: an autocratic and a democratic style (Rotemberg and Saloner, 1993). While leader’s decisions are binding for the whole team irrespective of the leadership style, autocratic leaders allow for only a minimal team participation in the decision making process and sometimes even ignore the opinions of their subordinates (Knott, 2001). In contrast, democratic leaders seek advice from their subordinates and try to reach consensus within their teams (Rotemberg and Saloner, 1993).

Leadership and leadership styles received considerable attention in the literature on groups. The behavioral patterns of leaders influence the attitudes, motivation and satisfaction of the group members as well as the productive outcomes of the group (Forsyth, 1999). Not much attention is shown, however, to the impact of leadership styles on teamwork quality or to the interplay between intra-group conflict and leadership styles in group settings. Nowadays, a common distinction exists in the literature between task and relationship conflict (Jehn, 1995; Pinkley, 1990) and most of the literature focused on the impact of these forms of intra-group conflict on team outcomes (De Dreu and Weingart, 2003), or on the interplay between intra-group conflict and other emergent states in groups (Curseu and Schruijer, 2010) with little to no attention on how intra-group conflict relates to teamwork quality and how leadership influences this relationship.

The distinction between transformational and transactional leadership styles (Bass, 1985) was especially attractive and most research to date argues that a transformational
leadership style is more beneficial for the global effectiveness (including satisfaction) of the group as compared to the transactional leadership style. The present study uses the task/relations orientation distinction (Forsyth, 1999), this is more closely related to the group dynamics, group processes and certainly with the types of conflict.

A relations oriented leader addresses “the feelings, attitudes and satisfaction of the members of the group and so correspond to the interpersonal, socio-emotional side of the group” (Forsyth, 1999,), while a task oriented leader defines problems for the group members, assigns tasks and makes sure that the tasks are performed in a timely and effective manner and coordinates the actions of the group members toward the common goal (Kerr, and Schriesheim, Murphy, Stogdill, 1974). Because the quality of communication is essential for both coordination and planning processes, it is expected that relations oriented leadership (which fosters intra-group communication) to be beneficial for teamwork quality, to a greater extent than task oriented leadership. It is also expected that relations oriented leaders to be more effective in dealing with relationship conflict within groups. In conclusion, based on the previous arguments, leadership orientation impacts both on group processes (directly) as well as on the relationship between intra-group conflict and group processes.

The leadership and management of an organization have a deep impact on the culture, direction and public image of the organization. Organizational management is the ability to govern and manage the people that make up a group or team with the purpose of enforcing the organization's goals and standards, according to the Nonprofit Good Practice Guide. Organizational Management is the leading authorities over a group of people that are responsible to cast vision implement change and plan for the future of the organization. Various leadership practices and expectations are needed for leaders to make a positive and effective impact on the organization they are leading.

Leadership and training of the group may lead to effective group loan repayment. The sectors with large amounts of arrears had a weak organization both at the group and village levels. Strong group leaders arranged weekly meetings with their groups, encouraged loan repayment, and explained provisional plans for inability to repay. In one
sector with arrears, most group members did not even know who their group leader was. In addition, training by the YEDF and the village leaders seemed to impact repayment levels. When the village leadership took an active role in screening and monitoring loan activity, repayment rates increased. Part of this village level integration was based on the degree to which village bank workers trained the clients and village leadership.

2.4 Financial Literacy of the Group Management and loan repayment

Management must be an active role of the organization in order to achieve organizational excellence. Leadership is the ability to influence others, not just an official title. Leaders need to earn respect, trust and loyalty from their followers. The leadership established in the organization must possess strong leadership skills such as communication skills, decision-making skills, conflict-resolution skills, people skills and the ability to create a vision. Leadership must put into action the expectations and company goals to set an example to the rest of the group.

In developing countries, poor people use many creative, sometimes complex strategies to manage their money; these often develop through trial and error rather than by design. They often tend to be more reactive than proactive. Unfortunately, for people operating at the margin, 'reactive' money management strategies can have severe repercussions when they deplete assets and/or place a future claim on income flows.

The purpose of financial education is to teach people concepts of money and how to manage it wisely. The aim is to enable people to become more informed financial decision makers, develop awareness of personal financial issues and choices, and learn basic skills related to earning, spending, budgeting, saving, borrowing, and investing money. Financial literacy can help people set financial goals and optimize their financial options.

Financial education can help them youths choose wisely among a growing number of financial options and use YEDF services to their best advantage. With better knowledge of the range of financial services available, their costs, and the risks associated with their use, clients can decide which ones best meet their needs. Improved financial management
skills and behavior can help reduce the risks of running a business and financing business activities with loans. For YEDF, improved ability of clients to manage debt can help keep repayment rates up and delinquency rates down. Involvement of YEDF in assessing financial education needs of clients can help staff understand financial management strategies of the poor, financial service gaps and how microfinance products and services could be improved and expanded. Ultimately, financially savvy clients can reduce portfolio risks, stimulate competition, and contribute to the growth and development of YEDF.

In view of the problems of inaccessibility of financial services and their vulnerability of not knowing or understanding how the micro-lenders operate or the rules and regulation governing such micro-lenders, the poor households resort to the informal means of finance in order to survive. The households access finance through various forms of informal savings and lending which are mostly used in the poor black communities.

According to Verhoef (2001), a stokvel is the umbrella term used for informal savings organizations in the African community in South Africa for survival. A stokvel is a credit association made up of a group of people usually numbering less than 30 or even 10, depending on the stokvel type, to give each other certain amount of money on a rotational basis. In most cases, the contributed amounts are saved and also made available as loans to the stokvel members. These stokvels assist the households to provide for their basic needs, that is, they provide financial services for entertainment, household utensils and groceries, education, and funding for predictable expensive events such as marriages and most importantly, unpredictable ones like illnesses and funerals. The households themselves decide on how the stokvels should operate by stipulating own rules and regulations in the form of the constitution. The households manage the finances themselves and exert peer pressure on one another to repay the loans for the purpose of sustaining the stokvels.

2.5 Business Experience of Groups and loan repayment
Researchers now recognize the importance of teams in the creation of new firms, after decades of emphasis on entrepreneurs as individuals (Forbes et al., 2006). This perhaps
explains why the youth and women fund target groups for funding. Ventures founded by entrepreneurial teams tend to be more innovative than those with only one founder (Ruef, 2002) and larger teams are associated with higher levels of venture growth (Lee and Tsang, 2001). Representative studies show that truly solo entrepreneurs are not predominant. Martinez and Aldrich (2011) argue that strategic theories stress that entrepreneurs should balance instrumental and expressive goals in the selection of teams. On the rational instrumental side, theorists urge entrepreneurs to consider the complexity of entrepreneurial endeavors and include a variety of work experiences and complementary skills. For instance high technology firms tend to be founded by teams who recruit members they have met in previous jobs and who have experience in diverse functional areas (Feese and Willard, 1990; Harrison et al., 2004a).

2.6 Corporate Governance and Financial Integrity in the Youth Enterprises

Corporate governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Shleifer and Vishny, 1997). If these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Overall, economic performance would likely suffer because many good business opportunities would be missed and temporary financial problems at individual firms would spread quickly to other firms, employees and consumers. Previous evidence suggests that corporate governance has a positive influence over corporate performance. For example, based on industry-level view, Rajan and Zingales (1998) find that firms in industries that require large amounts of external financing grow faster in countries with high scores on their measures of financial development. Thus, corporate governance (measured through better accounting standards, stronger legal protection of investors, and a stronger rule of law) appears to matter for financial performance. In addition, Williams 2000, Drobetz et al. 2003 and Gemmill and Thomas 2004) concluded in their respective studies that there is a positive relationship between good corporate governance practices and firm value. A widely accepted statement is that good corporate governance results in a lower cost of capital. One explanation is that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital.
Another research stream relies on the hypothesis that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital (Coombs and Watson, 2001). The commitment of management teams to increase the level of disclosure should lower the information asymmetry between managers and shareholders and lower the cost of capital. As a result of a reduced cost of capital, firm valuation will increase. If these relationships hold, greater disclosure of financial information and corporate governance topics will reduce information asymmetry and thereby lowering uncertainty and reducing the cost of capital. The main idea behind disclosure of corporate information and corporate governance is that it reduces information asymmetries between managers and shareholders and lowers its risk. Conventional wisdom on corporate governance predicts that good corporate governance increases firm valuation and firm performance and reduces the cost of capital and financial fraud. However, there may be important empirical and theoretical reasons why these relationships do not hold.

In theory, good corporate governance should be related to high-corporate valuation. A number of empirical studies have found that investors are willing to pay a premium averaging 10-12 percent for good corporate governance (Monks and Minow, 2004). The correlation of the governance index with performance could be explained in several different ways. One explanation, suggested by the results of other studies, is that inefficient governance directly causes additional agency costs. If the market estimates these additional costs, then stock returns will drop (Faccio and Lasfer, 2000). An alternative explanation is that good governance is a signal or symptom of lower agency costs – a signal not properly incorporated in market prices (Baysinger and Butler, 1985). Each of these explanations has different economic implications for the source of agency problems and different policy implications for the regulation of governance. It would be interesting to see whether higher corporate valuations are associated with better-governed US companies, measured by our measure of corporate governance index (Baysinger and Hoskinsson, 1990).

Though the issue of whether directors should be employees of or affiliated with the firm (inside directors) or outsiders has been well researched, no clear conclusion is reached. On the one hand, inside directors are more familiar with the firm's activities and they can
act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. On the other hand, outside directors may act as “professional referees” to ensure that competition among insiders stimulates actions consistent with shareholder value maximization (Fama, 1980). John and Senbet (1998), argue that boards of directors are more independent as the proportion of their outside directors increases. Though it has been argued (Fama and Jensen, 1983; Baums, 1994) that the effectiveness of a board depends on the optimal mix of inside and outside directors, there is very little theory on the determinants of an optimal board composition.

2.8 Theoretical Framework
This study is guided by the contract theory and the group loan repayment models that are further discussed in the sub-sections that follow.

2.8.1 Contract Theory
According to Mehr (1985) under joint liability, members of a peer lending group must have some way to ensure that the other members of the group repay their portions of the loan so that all have future access to loans. Each group devises implicit and explicit rules and norms that can diminish the risk of default, provided that repaying the loan is a utility maximizing outcome for group members. Risk management includes identifying and evaluating exposure to loss as well as selecting optimum methods of reducing exposure to risk. A formal or informal contract between group members is a risk management method.

One way in which the seriousness of the members is can be proved is by attending regular meetings (Adams, 1992). An implicit opportunity cost exists by attending the meetings, as well as fines for tardiness or absenteeism in many cases. Not only does attendance at these meetings show a seriousness of intent, but it provides a forum in which mutual trust is built, ideas are shared, and strategies are discussed that concerns the group. However, Hart (1995) state there are several reasons as to why complete state-contingent contracts are not feasible due to high transactions costs since it is difficult for people to imagine all contingencies. In addition, it is costly to negotiate each state of nature so that each member of the group has a mutual understanding of the contract under each state. Finally,
it is hard to write a legally binding contract for each state of nature where each of these costs makes a comprehensive state-contingent contract prohibitively expensive.

In developing countries, an incomplete complete contract is a more realistic tool for risk management where there are an infinite number of potential reasons for default. Incomplete contracts differ from neoclassical complete contracts in that unanticipated disturbances may arise which result in renegotiation. Thus, the incomplete contract is an elastic, flexible tool. Also, incomplete contracts allow a "tolerance zone" that allows for a looser interpretation of the states of nature. This flexible type of contract can be thought of as a "framework which affords a rough indication around which such relations vary an occasional guide in cases of doubt, and a norm of ultimate appeal when the relations cease in fact to work" (Llewellyn, 1931).

In solidarity groups, typically members have some idea *ex ante* about what would happen if a member defaulted for a certain reason, for example, if a member were sick on repayment day, certain groups might require that a family member pay for her while other groups may contribute her part until she is able to repay. Usually in the case of severe illness, the group refrains from intense peer pressure, instead showing more compassion towards the woman. The exact reaction of the group will vary from group to group and from context to context. Nevertheless, an incomplete contract may exist detailing the general consequences for a defaulting member under various scenarios. Fafchamps (1991) state that in rare occasion this contract be written, however often times, an oral agreement has been reached as to the group reaction under various states of nature. In other cases, the contract may be an implicit social contract where no promises have been made either in writing or orally, yet group members understand the probable consequences of defaulting in different states of nature.

Ex ante, an explicit or implicit incomplete contract exists in solidarity groups that define the general reaction of the group to a defaulting member. This intra-group contract defines how the group will react, either by punishing or assisting the defaulting member given different reasons for default. The ex ante intra-group contract provides a framework which may curtail shirking and encourage correct repayment. Since the ex ante intra-
group contract is incomplete, the contract may be modified ex post as unforeseen states of nature are revealed. For a closer examination of the intra-group contract, psychological literature highlights how groups may react to different states of nature by either punishing or helping group members.

2.8.2 Group Loan Repayment Models (Grameen lending model and Village Banking Model)

Grameen lending model: The model is based on group peer pressure whereby loans are made to individual groups of four to seven. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly. The groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as Grameen Bank, who use this type of microfinance model. The model has also contributed to broader social benefits because of their mutual trust arrangement at the heart of group guarantee system and the group itself often becomes the building block to a broader social network (Ledgerwood, 1999).

Village Banking Model: Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and helps members accumulate savings (Holt, 1994). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000a). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005). The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members’ savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No
interest is paid on savings but members receive a share of profits from the village bank’s re-lending activities.

Many village banks target women predominantly, as according to Holt (1994, p.158) “the model anticipates that female participation in village banks will enhance social status and intra-household bargaining power.

Khandker, Khalily and Khan (1994) devise a model of group loan repayment. In their econometric model, loan default, gender, electrification, road length, secondary schools, primary schools, dispersion of rainfall from mean, average rainfall, and the presence of other banks. The most significant were found to be electrification, road length, and schooling. Another interesting finding was that the longer a branch operated in a given region, the higher the default rate. This parallels the experience in Burkina Faso, as well as other countries, and suggests a “matching problem” found over loan cycles whereby in the first meeting, everyone agrees to given loan terms and conditions. Finding a group of people with equal credit demand once is difficult enough, but the probability of the same group desiring consecutive loans with similar conditions diminishes through time. Thus, matching the supply and demand for credit among group members becomes more and more challenging through time and may result in default as one or more members are not satisfied.

A second model of group loan repayment behavior applies factor analysis to examine credit risk areas. Viganò (1993) uses data from a CNCA group lending project in Burkina Faso to create a credit scoring model. Viganò argues that five factors affect credit risk including ability to repay, willingness to repay, favorable external conditions, quality of information upon which analysts base their judgment, and the bank’s ability to ensure the customer’s willingness to repay through an effective incentive structure. The most significant variables in the factor analysis were the borrower attitude, profitability and revenue stability, and ability to manage several borrowing contracts.

Viganò’s model uses factor analysis so that various correlated indicators can be used to measure model repayment behavior through factor loadings. Each of the factors is a latent
variable and in order to capture them in the survey, proxies were used. For example, for seriousness and stability, Viganò hypothesized that older people had larger and more stable incomes and therefore the binary variable of “retirement” was a proxy for stability. However, it was the author’s experience that older, retired people in Burkina Faso had the lowest income streams and were one of the highest risk groups surveyed. Viganò also reported that the variable contained a high amount of missing data due to the complexity of collecting income data in Africa. Therefore, this variable also contained measurement error. In addition, gender was used as a proxy for morality and character. One of the shortcomings of factor analysis is the arbitrary selection of proxies to represent concepts.

The Besley and Coate repayment game model illustrated that the use of joint liability in group lending led to two effects that are not seen in individual lending. A positive effect occurs when individuals cover the arrears of a member who does not repay his/her portion of the loan. This type of group solidarity is not a feature of individual lending. In addition, if social collateral is high enough, members that may have defaulted under individual lending will repay in order to avoid penalties imposed by other group members (social collateral). On the negative side, a group member may default if others do so since the correctly repaying member’s net benefit of repaying more than his/her share may be negative. Due to the presence of joint liability, the individual will default even though he/she would have repaid under individual lending. This default domino effect within the group is a form of strategic default.

Besley and Coate suggest that if social collateral is high enough, its positive effect on loan repayment might mitigate the negative influence of the domino effect. They suggest that a high degree of social connectedness will lead to an effective social penalty function, increasing the members’ willingness to repay. This collateral substitute acts as a non-market enforcement mechanism. The Burkina Faso sample included groups with a high degree of social connectedness, but a low ex post penalty function. Part of this phenomenon can be explained by the near perfect information that exists among these tight-knit groups. Since information is available, shirking or lying became more difficult.
As a result, most of the reasons for default were “uncontrollable” reasons, resulting in sympathy rather than anger from the rest of the group. In this sense, strong ex ante group pressure (social collateral) influenced members to repay if possible. In cases of uncontrollable default, the ex post social penalty function was low. Even in the few cases of “controllable” default, the close communities and groups preferred to maintain village harmony than to impose strict social sanctions. Besley and Coate conclude that group lending is superior to individual lending if social sanctions are large enough.

An alternative explanation for the presence of all members in a group defaulting is that the defaulting groups have experienced a covariant income shock that simultaneously affected their ability (rather than willingness to repay). However, after extensive questioning, this possibility was determined to be unlikely since no systemic shocks were measured during the months of the interviews (in fact, most agreed that favorable economic conditions prevailed) and most importantly, the members themselves reported the presence of strategic default. However, the possibility of such systemic shocks is a likely prospect in the sub-Saharan context in other instances. This proves the point that if group lending repayment is unstable in good years, it could be devastating in bad years. Modifications of the repayment game based on the results of this study could include a higher degree of complexity. The three stage decision tree could be incorporated to show the logical progression of having a problem, telling the group, and deciding whether or not to repay. In addition, the intra-group contract could be incorporated so that various states of nature elicit group solidarity or peer pressure.

2.9 Conceptual Framework
This study is guided by the conceptual framework as shown in figure 1. The conceptual framework has been conceived based on the literature review and theoretical framework in the previous sub-section.
This chapter contains the information on the relevant literature reviewed and a conceptual framework analysis illustrating diagrammatically the variable relationships. It is structured into four sub-sections; first literature review that shows what previous researchers have found out under group loans fund, the youth and presents literature on policy and political contexts in relation to this area of study. The literature review cited similar areas of study or studies and last part is the conceptual framework analysis that led to this research.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter discussed the methodology that was used in gathering the data, analyzing the data and reporting the results. This section is an overall scheme, plan or structure conceived to aid the study in answering the raised research question. Specifically the following subsections will be included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design
This study used descriptive survey research design to analyze the influence of management practices on repayment of the youth enterprise fund loans among youth groups in Limuru Sub-county. According to Mugenda and Mugenda (2003), descriptive research is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. A descriptive research determines and reports the way things are and it attempts to describe such things as possible behavior, attitudes, values and characteristics.

Kothari (2004) further notes that descriptive research is concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation. The descriptive design will be used since it ensures complete description of the effect of groups’ management practices on repayment of the youth fund in Limuru Sub-county and it made sure that there is minimum bias in the collection of data and reduce errors in interpreting the data collected. The design also provided a detailed and highly accurate picture of the situation that can be very useful in literature review.

3.3 Target Population
Mugenda and Mugenda (2003), defined target population as that population the researcher studies, and whose findings are used to generalize to the entire population. The target population for this study was individuals within youth groups who have been advanced loans from the Youth Enterprise development Fund in Limuru Sub-county
during the period 2007/2008 to September 2012. Based on the Ministry of Youth Affairs and Sports, Limuru Sub-county Status report of 2012, the YEDF has been able to disburse financial loans to forty groups in the form of C-Yes Loans. The study therefore utilized the youth within these youth groups as a sampling frame within which to base the sample for the study. Due to lack of data on the number of youth per youth group, the researcher assumed that each group has an average of 12 members, hence a target population of 480 youth groups.

3.4 Sample and Sampling Technique

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample was selected (Cooper and Schindler, 2003). As explained in section 3.3, the sampling frame will be 480 youth within the 40 youth groups.

Stratified random sampling was used in the study to select the youths to interview. According to Kombond and Tromp (2006) involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup. For this study each of the youth groups was regarded as strata. Simple random sampling was used to select the strata’s to study as well as the youth within the youth groups to sample.

During sampling, the researcher took into account the issue of gender is taken into account when selecting the sample. The researcher also ensured that at least one of the selected respondents is an official of the group so as to get views of both officials and non-officials of the group.

The number of youths interviewed in the study was determined by the sample size generation formula given by Nassiuma (2000) as shown:

\[ n = \frac{NC^2}{C^2 + (N-1)e^2} \]

Where \( n \) = Sample size
\( N \) = Population
\[ C = \text{Coefficient of variation} \]
\[ e = \text{Standard error} \]

On determination of the sample size, Nassiuma (2000) says that in most surveys, coefficient of variation of at most 30% is usually acceptable. The researcher adopted the Nassiuma formula and assumed a coefficient of variation of 25% and a standard error of 0.02. Based on the formula, sample 32 youth groups out of which a total of 118 youths were interviewed as illustrated in Table 3.1.

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated Population Size</th>
<th>Sample Size</th>
<th>Percentage of the Sample Size (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth groups</td>
<td>40</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>No of individual youths in youth groups</td>
<td>480</td>
<td>118</td>
<td>25</td>
</tr>
</tbody>
</table>

3.5 Research Instruments

Primary quantitative data was collected from the youth using a semi-structured questionnaire. According to Kombo & Tromp (2006) questionnaires are the most appropriate instruments for collecting information about issues that respondents may feel reluctant to discuss because they uphold confidentiality. The questionnaire comprised questions which sought to answer questions related to the objectives of this survey. The questions were both closed ended to enhance uniformity and open ended to ensure maximum data is obtained. In designing the questionnaire form the following conditions was put into account:

- That it be easy to read and understand
- That it be concise and easy to complete
- That it measure specifics of the study
- That it was sufficient enough to be conclusive
The questionnaire designed in this study comprised of two sections. The first part is designed to determine general information including the demographic characteristics of the respondent, while the second part consisted of questions where the four variables were discussed.

3.5.1 Piloting the instruments
A pilot study/ pre-testing of the questionnaire was administered to a small sample of the youths (10% of respondents) and research experts and professionals in the areas of micro-enterprise funding, more specifically youth funding so as to assess the capability of the survey instruments to collect the required data for the survey. We do this to validate the content areas of the survey, assess and evaluate the question wording, and identify any issue areas that need to supplemented or improved to the draft of the survey instrument. Schwap (2005) notes that the pretesting of the questionnaire should be done on similar individuals who were asked to complete as part of the substantive research.

3.5.2 Validity of the Instruments
Validity in questionnaire studies is the extent to which the questions provide a true measure of what they are designed to measure. The purists would argue that there are many different types of validity in such studies but the key things that you need to consider are that the questions are clear and likely to produce accurate information, and that the full scope of the area that you intend to measure is covered by your tool (Taylor, Graham and Lewins, 2005). The researcher have included both open and closed ended questions to capture all information from the respondent to ensure content validity is achieved. When a test has content validity, the items on the test represent the entire range of possible items the test should cover. To enhance content validity, the supervisor was first appraised the instrument (Orodho, 2004). The researcher went through the questionnaires with the supervisor and ensured validity was achieved. A pilot study was carried out in two groups that were not included in the study selected randomly. The pilot study helped in identifying items in the instrument which are ambiguous and inappropriate in order to improve its quality and validity. The researcher went through the questionnaires with the supervisors and ensured validity was achieved.
3.5.3 Reliability of the Instruments

Kombo and Tromp (2006) define reliability as a measure of how consistent the results from a test are. An instrument is reliable when it can measure a variable accurately and consistently and obtain the same results under the same conditions over a period of time. To test reliability of the instrument test-retest technique was used. This test-retest method involved administering the same instrument twice to the same group of subjects. The second administration was done after a time lapse of one week after the first test. The results from the first and the pilot study for the group were used. After the two tests are scored, the Pearson’s product-moment correlation was computed to determine correlation coefficient, which shows whether the scores on the two tests correlate.

The formula for determining r is given below:

\[
r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}
\]

Where, \( x \) is the score on test 1 while \( y \) is the score on test 2.

According to Mugenda and Mugenda (1999), a correlation coefficient \( r \), of 0.7 is considered appropriate and hence reliable for collecting data. In this study the calculated correlation coefficient for the questionnaire was 0.8 hence the instruments were reliable.

3.6 Data Collection Procedure

There was reconnaissance visit to the youth groups that took part in the study for introduction and establishing time for administration of instrument. The youth questionnaire was administered personally with accompaniment of the group chairperson. Clarifications were made to the youth group members concerning unclear items.

3.7 Data Analysis Techniques

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. All the quantitative data was analyzed using SPSS, Ms
Excel and related software. The findings were presented using tables and charts, percentages, tabulations, frequencies and means. Tables were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports for this study.

Analyzing the qualitative data involved content analysis by reading through the interview or focus group transcripts and other data, developing codes, coding the data, and drawing connections between discrete pieces of data. The researcher went through all the key informant interviews and focus group discussions, with an eye for common themes, categories, and patterns.

3.8 Ethical Issues
Ethics in research requires personal integrity from the researcher. Cooper & Schindler (2003) gives the goals of ethics in research as to ensure that no one is harmed or suffer adverse consequences from research activities. The researcher ensured that the questionnaires are non-invasive and the information gathered is solely for academic purposes and not for any other purpose. Prior to the distribution of the questionnaires the researcher will seek the requisite permission from the relevant authorities including authorities at the Limuru Sub-county Youth Enterprise Development Fund office. In addition, the researcher will obtain an introduction letter from the University of Nairobi to accompany the questionnaires to the research field.

3.9 Operational Definition of Variables
Table 3.2 clearly illustrates the operational definition of the independent variables and the dependent variable identified for the study. The table defines how the variables were measured in the study.
### Table 3.2: Operationalization of Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Measurements</th>
<th>Tools of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of YEDF Loans.</td>
<td>Repayment of YEDF loan</td>
<td>Percentage of loan repaid</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td><strong>Research Objective 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independent Variable</strong></td>
<td>Level of involvement in decision making</td>
<td>Level of involvement</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td>Youth Group Leadership Styles</td>
<td>Frequency of group meetings</td>
<td>No of meetings</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td></td>
<td>Satisfaction with group leadership</td>
<td>Level of satisfaction</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td><strong>Research Objective 2</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independent Variable</strong></td>
<td>Financial literacy on funds management</td>
<td>No of youth trained</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td>Group Financial Literacy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research Objective 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independent Variable</strong></td>
<td>Members trained on development of business plans/strategy</td>
<td>No of members trained</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td>Group Member(s) Business Experience</td>
<td>Members with past experience in business in similar sector.</td>
<td>No of members with past experience in business in similar sector.</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td>Variables</td>
<td>Indicators</td>
<td>Measurements</td>
<td>Tools of Analysis</td>
</tr>
<tr>
<td>--------------------------</td>
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<td>------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td><strong>Research Objective 4</strong></td>
<td>To investigate how corporate governance in the youth enterprises influences the loan repayment in Limuru Sub-County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Variable</td>
<td><strong>Corporate Governance</strong></td>
<td>managing of the group affairs</td>
<td>Level of satisfaction by the members</td>
</tr>
<tr>
<td></td>
<td>Frequency of election of officials</td>
<td>Percentage</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td></td>
<td>Adherence to group by-laws</td>
<td>Level of adherence</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td></td>
<td>Highest level of education of officials</td>
<td>Level of education</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
<tr>
<td></td>
<td>Members trained on group dynamics</td>
<td>No of members trained on group dynamics</td>
<td>Descriptive statistical analysis by computing the percentages and frequencies.</td>
</tr>
</tbody>
</table>
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION, DISCUSSIONS AND INTERPRETATION

4.1 Introduction
This chapter is a descriptive analysis of the data that was collected from the target respondents comprising of the youth who have received the youth enterprise development fund. Descriptive technique was used to organize, summarize and interpret quantitative information. Data was then presented in form of frequency tables. This presentation is based on the questionnaire that was administered.

4.2 Questionnaires Return Rate
The study targeted youth groups who have received funding from the Youth Enterprise Fund Loans. The study used stratified random and convenient sampling procedures to select 118 youth groups. The data collection instruments were self-administered and response received on the spot. This made it possible for the response ratio to be 100 percent.

4.3 Demographic characteristics of youth entrepreneurs
This section presents the characteristics of personal attributes of individual respondents. They include gender, marital status, age, level of education, daily occupation, activity engaged in, and number of members per group. The rationale behind inclusion of these attributes in the analysis is that they help to shed some light on user’s characteristics as these may have some bearing of management practices on repayment of the youth enterprises fund loans.

Table 4.1 Distribution by Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>46</td>
<td>39.0</td>
</tr>
<tr>
<td>Male</td>
<td>72</td>
<td>61.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Majorities (72) [61.0%] of the respondents were male and (46) [39.0%] of them were female. This shows that most of the respondents were male since they are risk takers. Hence more male are able to take part in the borrowing of the youth fund.

### Table 4.2 Distribution by Age group

<table>
<thead>
<tr>
<th>Age group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-21years</td>
<td>9</td>
<td>7.6</td>
</tr>
<tr>
<td>22-25years</td>
<td>18</td>
<td>15.3</td>
</tr>
<tr>
<td>26-29years</td>
<td>18</td>
<td>15.3</td>
</tr>
<tr>
<td>30-35years</td>
<td>55</td>
<td>46.6</td>
</tr>
<tr>
<td>Above 35 years</td>
<td>18</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Most of the respondents [55] (46.6%) were aged between 30-35 years of age, while [18] 15.3% of them were aged between 22-25, 26-29 years and above 35 years respectively only [9] 7.6% of the respondents were aged between 18-21 years of age. This implies that most of the group members were at the range limit of the youth. They were also legible to receive the youth fund loans.

#### 4.3.2 Marital status

The researcher also sought to know the marital status of the respondents. The results are as shown in Table 4.3.

### Table 4.3 Marital status of respondents

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>76</td>
<td>64.4</td>
</tr>
<tr>
<td>Single</td>
<td>40</td>
<td>33.9</td>
</tr>
<tr>
<td>Separated</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents (64.4%) indicated they were married, while 33.9% of them were single and 1.7% of them were separated. When people are married they have a lot of
commitments hence have to invest wisely so that they can make returns on the money invested or borrowed and they are able to repay the loans.

4.3.4 Education levels.
The respondents were also asked to indicate their level of education. The results are as shown in Table 4.4

Table 4.4: Distribution of respondents by level of Education

<table>
<thead>
<tr>
<th>Education levels</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>22</td>
<td>18.6</td>
</tr>
<tr>
<td>Secondary</td>
<td>66</td>
<td>55.9</td>
</tr>
<tr>
<td>College/tertiary</td>
<td>24</td>
<td>20.3</td>
</tr>
<tr>
<td>Graduate</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td>Post-graduate</td>
<td>4</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents (55.9%) had secondary level of education while 20.3% of them had college level of education, 18.6% primary and the others were graduates and post graduates. The researcher then sought to identify the respondents’ daily occupation. Majority of the respondents (69.5%) said they were informally employed, while 18.6% of them were formally employed and the rest were students and part-time worker. This enabled them to carry on their small business that through the loans obtained from Youth Fund.

4.3.5 Position in the group.
The researcher also enquired to know the position the respondents were in the groups. The results are as shown in Table 4.5.

Table 4.5: Position in the group of respondents

<table>
<thead>
<tr>
<th>Position in the group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>12</td>
<td>10.2</td>
</tr>
<tr>
<td>Secretary</td>
<td>12</td>
<td>10.2</td>
</tr>
<tr>
<td>Treasurers</td>
<td>12</td>
<td>10.2</td>
</tr>
<tr>
<td>Members</td>
<td>82</td>
<td>69.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Majority of the respondents (69.5%) were members with chairpersons, secretary and treasures were 10.2%, 10.2% and 10.2% respectively of the groups involved in the study represented the rest of the population. The reason for including these categories of group positions would help the study to know whether the chairpersons are able to manage their group members when it comes to the repayment of the loans picked. The researcher then asked the kind of activities that the group members carried out. The results included that there were members who did carry out activities such as poultry rearing, table banking, crisp making, motorbikes for business, pig rearing, manufacturing of yoghurt, farming, pig rearing, buying cows and poor tale project

4.4 Group leadership and repayment of YEDF loan.
Leadership style and the effectiveness of interactions between leaders and their subordinates are important determinants of team success in any hierarchical organization. Dependent on the way in which leaders exercise their authority, several studies in economics, psychology and management identify two major leadership styles: an autocratic and a democratic style (Rotemberg and Saloner, 1993). Due to the nature of influence a group’s leadership has on the running of the business establishing the perception of the members on the leadership of their groups and the roles of the individual members on the running of the groups.

4.4.1 Involvement in decision making.
Leader’s decisions are binding for the whole team irrespective of the leadership style, autocratic leaders allow for only a minimal team participation in the decision making process and sometimes even ignore the opinions of their subordinates (Knott, 2001). Hence this research wished to find out if members were involved in decision making. The results are as shown in Table 4.6.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>20</td>
<td>16.9</td>
</tr>
<tr>
<td>High</td>
<td>72</td>
<td>61.0</td>
</tr>
<tr>
<td>Fair</td>
<td>26</td>
<td>22.1</td>
</tr>
</tbody>
</table>

**Table 4.6: Rating of involvement in decision making**
Majority of the respondents (61.0%) rated involvement in decision making as high while 22.1% of them rated it fair and 16.9% said it was very high. The researcher observes that when leadership is good it enhance loan repayment. According to (Forsyth, 1999) leadership and leadership styles received considerable attention in the literature on groups. The behavioral patterns of leaders influence the attitudes, motivation and satisfaction of the group members as well as the productive outcomes of the group. Not much attention is shown, however, to the impact of leadership styles on teamwork quality or to the interplay between intra-group conflict and leadership styles in group settings. However, leadership and training of the group may lead to effective group loan repayment. The sectors with large amounts of arrears had a weak organization both at the group and village levels. Strong group leaders arranged weekly meetings with their groups, encouraged loan repayment, and explained provisional plans for inability to repay.

4.4.2 Frequency of meetings

The researcher sought to establish if the frequency of meetings held had an impact on loan repayment. The results are as shown in Table 4.7.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly or less</td>
<td>15</td>
<td>12.3</td>
</tr>
<tr>
<td>Monthly</td>
<td>56</td>
<td>47.5</td>
</tr>
<tr>
<td>Once a fortnight</td>
<td>20</td>
<td>16.9</td>
</tr>
<tr>
<td>Once a week</td>
<td>27</td>
<td>22.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Most of the respondents (47.5%) indicated they held their meetings monthly while 22.9% of them held their meetings once a week with 16.9% holding a once a fortnight and 12.3% holding quarterly or less. The researcher observes that the more the number of meetings held the high the level of loan repayment since members encourage each other. The leadership and management of an organization have a deep impact on the culture, direction and public image of the organization. Organizational management is the ability
to govern and manage the people that make up a group or team with the purpose of enforcing the organization's goals and standards, according to the Nonprofit Good Practice Guide.

4.4.3 Satisfaction with leadership of the groups

Leaders need to earn respect, trust and loyalty from their followers. The leadership established in the organization must possess strong leadership skills such as communication skills, decision-making skills, conflict-resolution skills, people skills and the ability to create a vision. Leadership must put into action the expectations and company goals to set an example to the rest of the group. The level of satisfaction with leadership of the groups helps the groups to grow and also repayment of the loans is effective. The researcher sought to know the level of satisfaction with leadership of the groups. The results are as shown in Table 4.8.

<table>
<thead>
<tr>
<th>Level of satisfaction</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>13</td>
<td>11.0</td>
</tr>
<tr>
<td>Satisfied</td>
<td>101</td>
<td>86.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Total 118 100.0

Majority of the respondents (86.0%) were satisfied with group leadership while 11.0% of them were very satisfied with the leadership of the group only 3.0% of them were neutral. Hence the findings are clear that there is satisfaction with the group leadership among the youth who took place in the study. According to the researcher organizational Management is the leading authorities over a group of people that are responsible to cast vision implement change and plan for the future of the organization. Various leadership practices and expectations are needed for leaders to make a positive and effective impact on the organization they are leading.
4.5 Financial literacy and repayment of YEDF loan.
The purpose of financial education is to teach people concepts of money and how to manage it wisely. The aim is to enable people to become more informed financial decision makers, develop awareness of personal financial issues and choices, and learn basic skills related to earning, spending, budgeting, saving, borrowing, and investing money. Financial literacy can help people set financial goals and optimize their financial options. The financial training the various members have is expected to have something to do with the ability of the groups to service the loans advanced by the youth fund.

4.5.1 Financial literacy and on fund management.
Financial management literacy among the members is a key factor in the determination of the management of the loans advanced to the various groups, how the loans are utilized and managed determines how the groups are able to repay the loans. Hence the researcher sought to know if there was any financial management training held for the group members. The study established that some there was financial management training held among group members. The study then wished to identify the help members got from the financial management training. The results are as shown in Table 4.9.

<table>
<thead>
<tr>
<th>Offering help</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>59</td>
<td>50.0</td>
</tr>
<tr>
<td>No</td>
<td>59</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Half of the respondents agreed that they got help from members with financial management training while the other half said that they never got help. The researcher observes that financial management training was crucial for well management of group loans this would encourage the repayment of the loans by members. The researcher also observes that financial education can help the youths choose wisely among a growing number of financial options and use YEDF services to their best advantage. With better knowledge of the range of financial services available, their costs, and the risks associated with their use, clients can decide which ones best meet their needs. Improved financial
management skills and behavior can help reduce the risks of running a business and financing business activities with loans.

4.5.3 Financial management experience.

Financial literacy can help people set financial goals and optimize their financial options. Hence this study sought to know from the respondents whether they had financial management experience. The results are as shown in Table 4.10.

<table>
<thead>
<tr>
<th>Offering help</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>48</td>
<td>40.7</td>
</tr>
<tr>
<td>No</td>
<td>70</td>
<td>59.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents 59.3% had not received help from members with financial management experience while 40.7% of them had help from the members with financial management experience. The researcher observes that there is need for the YEDF to have their officers training the groups on financial management skills. This would enable them to know how to manage the small amount of money they have to make more money from that. They would also be able to invest wisely where possible. Financial education can help the youths choose wisely among a growing number of financial options and use YEDF services to their best advantage. With better knowledge of the range of financial services available, their costs, and the risks associated with their use, clients can decide which ones best meet their needs. Improved financial management skills and behavior can help reduce the risks of running a business and financing business activities with loans. For YEDF, improved ability of clients to manage debt can help keep repayment rates up and delinquency rates down. Involvement of YEDF in assessing financial education needs of clients can help staff understand financial management strategies of the poor, financial service gaps and how microfinance products and services could be improved and expanded. Ultimately, financially savvy clients can reduce portfolio risks, stimulate competition, and contribute to the growth and development of YEDF.
4.6 Business experience and repayment of YEDF loan.

Researchers now recognize the importance of teams in the creation of new firms, after decades of emphasis on entrepreneurs as individuals (Forbes, 2006). This perhaps explains why the youth and women fund target groups for funding. According to Verhoef (2001), a stokvel is a credit association made up of a group of people usually numbering less than 30, depending on the stokvel type, to give each other certain amount of money on a rotational basis. In most cases, the contributed amounts are saved and also made available as loans to the stokvel members. These stokvels assist the households to provide for their basic needs, that is, they provide financial services for entertainment, household utensils and groceries, education, and funding for predictable expensive events such as marriages and most importantly, unpredictable ones like illnesses and funerals. Hence in this study wished to identify the number of members in each group and whether they had been trained on development of business plans/ strategies. The study established that all the groups 18 people and also established that the number of trained members on business plan were four (4). Hence the researcher observes that there is need for YEDF to involved members of a group before disbursement of funds to get some training on writing a business plan that would be viable. This would enable the members to make informed decisions on the amount borrowed from the YEDF.

4.6.2 Business running experience

The researcher sought to establish from the group members to indicate the number of people who had business running experience. The results are as shown in Table 4.11.

Table 4.11 Business running experience

<table>
<thead>
<tr>
<th>Experience in years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4 years</td>
<td>20</td>
<td>16.9</td>
</tr>
<tr>
<td>5-8 years</td>
<td>50</td>
<td>42.3</td>
</tr>
<tr>
<td>Above 8 years</td>
<td>20</td>
<td>16.9</td>
</tr>
<tr>
<td>None</td>
<td>28</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Majority of the respondents had 5-8 years experience in running the business while 23.7% of them had no experience in running a business and 16.9% had 1-4 years and above 8 years experience respectively. The researcher notes that business running experience is crucial for the youth groups to be able to make loan repayments. The results agree with those of Martinez and Aldrich (2011) argue that strategic theories stress that entrepreneurs should balance instrumental and expressive goals in the selection of teams. On the rational instrumental side, theorists urge entrepreneurs to consider the complexity of entrepreneurial endeavors and include a variety of work experiences and complementary skills.

4.6.3 Period of existence of the group.

The study then sought to identify the period of existence of the group. The results are as shown in Table 4.12.

Table 4.12 Period of existence of the groups

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a year</td>
<td>6</td>
<td>5.1</td>
</tr>
<tr>
<td>1-3 years</td>
<td>52</td>
<td>44.1</td>
</tr>
<tr>
<td>3-5 years</td>
<td>30</td>
<td>25.4</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>30</td>
<td>25.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Most of the respondents (44.1%) had existed for 1-3 years, 25.4% of them had been in existence for 3-5 years and more than 5 years and 6.1% of them had less than a year. The researcher observes that the period a group existed would enable the members to familiarize with each other hence they can be able to know how credit worth one is. Karlan, (2004) noted that on group enterprise lending accept the assumption that peer pressure and group solidarity are enigmatically causing groups to function properly and bolstering repayment rates in developing countries. After all, everybody has experienced the effects of group pressure or of helping each other.
4.7 Corporate governance and repayment of YEDF loans.

Corporate governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Shleifer and Vishny, 1997). If these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Overall, economic performance would likely suffer because many good business opportunities would be missed and temporary financial problems at individual firms would spread quickly to other firms, employees and consumers. The researcher sought to identify the management of group affairs through the involvement of members in management of the group. The results are as shown in Table 4.13.

<table>
<thead>
<tr>
<th>Rating of involvement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>11</td>
<td>9.3</td>
</tr>
<tr>
<td>High</td>
<td>55</td>
<td>46.6</td>
</tr>
<tr>
<td>Fair</td>
<td>46</td>
<td>39.0</td>
</tr>
<tr>
<td>Low</td>
<td>6</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Slightly below half (46.6%) respondents said the involvement of members in management of the group was high, while 39.0% of them was fair and 9.3 was very high. The researcher observes that those who rated it low were very few. When members were highly involved the rate of loan repayment. In order to implement good corporate governance, the management needs to know that they should be concerned about the interrelationships between corporate governance and group performance. These results agrees with those of Mang’unyi (2011) in a study between ownership and cooperate governance that found out that banks that adopt and implement good corporate governance have higher advantage of increasing their performance. More so, this will ensure that interests of the firm are served and there is easier access to funding from investors. In this case good corporate governance would enhance good loan repayment hence resulting in more funding from the YDEF and other financial institutions.
4.7.2 Group elections

Group elections are very important in order to have leaders who can help the group realize its dreams of growing through good strategies of the loan repayment among its members. This would enable the group to grow hence repayment of loans will be easier and faster hence more funds will be available for the group. Hence the researcher sought the frequency of holding group elections. The results are as shown in Table 4.14.

<table>
<thead>
<tr>
<th>Frequency of elections</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td>Biannually</td>
<td>19</td>
<td>16.1</td>
</tr>
<tr>
<td>Annually</td>
<td>81</td>
<td>68.6</td>
</tr>
<tr>
<td>After 3 years</td>
<td>16</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents (68.6%) indicated that elections are held annually, while 16.1% of them said biannually, and 13.6% indicated quarterly and after 3 years respectively. The researcher observes that group election is crucial in order to bring on board people who can help the group realize its dreams. This prompted the researcher to enquire who elected the officials. Majority of the respondents (61.0%) indicating all members are involved in election of officials, while 25.0% said more than half of the members and 14.1% said half the members could elect the officials. The researcher observes that it’s important for group members to exercise their voting rights. This would enable them to have a right to complain if there was a problem with the group leadership. Corporate governance establishes a system of accountability among shareholders, directors and managers through rules and regulations, the corporate charter and bylaws, formal policies, and customs. This process helps determine the leadership, organization, and direction of the company (www.investor.gov).

4.7.3 Adherence to laws and regulations

Karlan (2004) shows that if group members are culturally similar this helps to improve repayment performance, based on the assumption that cultural similarity increases the probability that members know each other and therefore will be better able to screen,
monitor and enforce each other. This result seem to contrast with that of Paxton et al. (2000), who found a negative relationship between a measure of cultural similarity and repayment and explained this result in terms of possible collusion against the program. Hence the researcher wanted the respondents to rate how group adherence to laws and regulation affected loan repayment. The results are as shown in Table 4.15.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>60</td>
<td>50.8</td>
</tr>
<tr>
<td>High</td>
<td>42</td>
<td>36.0</td>
</tr>
<tr>
<td>Fair</td>
<td>14</td>
<td>11.8</td>
</tr>
<tr>
<td>Very low</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Slightly above half of the respondents (50.8%) indicated that adherence to laws and regulations was very high in their groups, 36.0% of them noting it high, 11.8% noted it was fair and 1.4% indicated it was very low. The researcher observes that where the adherence to laws and regulation of the YEDF is very important since it’s the a good ways of showing that the loan repayment will be effectively implemented.

4.7.4 Education levels of officials.

Education level of the officials is crucial in a group since they are supposed to have the know-how for writing a business plan for the money required by the group. The study sought to establish the highest level of education of the officials. The results are as shown in Table 4.16.

<table>
<thead>
<tr>
<th>Chairpersons</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>15</td>
<td>12.7</td>
</tr>
<tr>
<td>Secondary</td>
<td>66</td>
<td>56.0</td>
</tr>
<tr>
<td>Tertiary</td>
<td>34</td>
<td>28.8</td>
</tr>
<tr>
<td>University</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Majority of the respondent (56.0%) indicated that their chairpersons had attained secondary education while 28.8% of them had tertiary education with 12.7 having primary level of education and 2.5 having secondary education. This shows that majority of them had qualifications that would help their groups grow and also would help them in the recovery of moneys loaned to the youth or even the group to achieve its goals.

Table 4.17: Education levels of the secretaries

<table>
<thead>
<tr>
<th>Secretaries</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>22</td>
<td>18.6</td>
</tr>
<tr>
<td>Secondary</td>
<td>59</td>
<td>50.0</td>
</tr>
<tr>
<td>Tertiary</td>
<td>36</td>
<td>30.5</td>
</tr>
<tr>
<td>University</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Half of the respondents (50%) noted that their secretaries had secondary level of education while 30.5% of them had tertiary education, 18.6% of them had primary education and 0.8 had university level of education. This implies that majority of the secretaries were able to assist the group through being vocal in their roles of keep the group records. Hence this would have resulted in a positive impact on repayment of the youth fund.

The respondents were again asked to indicate the level of education for their treasurers. The results are as shown in Tabl1 4.18.

Table 4.18 Level of education for the treasurers

<table>
<thead>
<tr>
<th>Treasurers</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>10</td>
<td>8.4</td>
</tr>
<tr>
<td>Secondary</td>
<td>60</td>
<td>50.8</td>
</tr>
<tr>
<td>Tertiary</td>
<td>46</td>
<td>39.0</td>
</tr>
<tr>
<td>University</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Slightly above half (50.8%) of the treasurers had secondary level of education. This means majority of the respondents just as it is indicated earlier had only cleared form four before venturing into business. The type of leadership in the group is dependent on the training received from the YDEF before issuing. This would enable the respondents to achieve their goals.

4.7.5 Training on Group dynamics.
Group dynamics" describes the effects of these roles and behaviors on other group members, and on the group as a whole. A group with a positive dynamic is easy to spot. Team members trust one another, they work towards a collective decision, and they hold one another accountable for making things happen. Hence the study sought to identify whether there had been training in group dynamics. It was clear that majority of the respondents had been trained on group dynamics and what to do to keep the group dynamics positive. This would enable them to repay their loan in time without delay.

4.8 Loan repayment trends
A study in Kasarani Constituency on factors affecting repayment of youth enterprise development fund found out that most of the youth officers had not attended any training on micro loans and that there are no clear procedures and guidelines on lending and follow up (Mugira, 2012). It further revealed that there are no adequate resources to perform fund activities in addition to the amount of loans awarded to the youth being too little. Youths had problems in borrowing money including long duration taken between application and receiving of funds and also business performance was a main cause of default. Hence this study wished to find out the description of the loans to the members. The results are as shown in Table 4.19.

<table>
<thead>
<tr>
<th>Number of loans received</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once</td>
<td>99</td>
<td>83.9</td>
</tr>
<tr>
<td>Twice</td>
<td>19</td>
<td>16.1</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Majority of the respondents (83.9%) indicated that they had gotten a loan once while 16.1% of them had received the loan twice. The researcher observes that clients who had repaid back their loans had received a second time a higher amount. This prompted the researcher to enquire how much loan the group had received with all the groups reporting they received Kenya shillings one hundred thousand (Kshs. 100,000/=). When asked how much they had repaid the highest had paid Kshs.100,000 and the least had paid Kenya shillings ten thousands (Kshs.10,000). Hence these shows there are cases of default of the loan since the youth had either mismanaged the amount and may be the projects started stalled. On the other hand there is C-YES loans offered the respondents were asked to indicate whether they were able to repay within the agreed timeline. Majority (68.8%) noted that since they had not paid the first loan as a group, then they could not access a second one.

4.9 Challenges and suggestions to the repayment of the loan.

The researcher sought from the respondents the type of challenges they encountered. The results are as shown in Table 4.20.

Table 4.20 Challenges faced on the repayment of loans.

<table>
<thead>
<tr>
<th>Challenges to the repayment of loans</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not making payments on time</td>
<td>65</td>
<td>55.1</td>
</tr>
<tr>
<td>Failure of business</td>
<td>50</td>
<td>42.4</td>
</tr>
<tr>
<td>Joblessness of the members</td>
<td>45</td>
<td>38.1</td>
</tr>
<tr>
<td>Failure of crops due to weather</td>
<td>40</td>
<td>33.9</td>
</tr>
<tr>
<td>Group break ups</td>
<td>25</td>
<td>21.2</td>
</tr>
<tr>
<td>Money advanced insufficient for the project</td>
<td>20</td>
<td>16.9</td>
</tr>
</tbody>
</table>

\(n=118\)

From Table 4.17, 55.1% of the respondents said they were not making payment on time while 42.4% of them had failure of business, 38.1% said it was as a results of joblessness of the members, 33.1% said failure of crops due to weather were some of the challenges they faced that prevented them from repayment of the loan. This had also read to group
break ups and money advanced insufficient for the project undertaken. The researcher then asked them to indicate suggestions that would help in dealing with the challenges above. The suggestions are as shown in table 4.2.

**Table 4.21 Suggestions that would assist the groups to repay their loans**

<table>
<thead>
<tr>
<th>Suggestions for improvement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce interest rates</td>
<td>108</td>
<td>91.5%</td>
</tr>
<tr>
<td>Increase in loan amounts</td>
<td>90</td>
<td>76.3%</td>
</tr>
<tr>
<td>Educate the group on managing funds</td>
<td>77</td>
<td>65.3%</td>
</tr>
<tr>
<td>Applications should be processed immediately</td>
<td>67</td>
<td>56.8%</td>
</tr>
<tr>
<td>Once loans are approved they should be advanced immediately</td>
<td>61</td>
<td>51.7%</td>
</tr>
<tr>
<td>Extension of the grace period</td>
<td>53</td>
<td>44.9%</td>
</tr>
<tr>
<td>Follow up on the use of the loan</td>
<td>64</td>
<td>54.2%</td>
</tr>
<tr>
<td>Groups paying on time to receive next loan immediately</td>
<td>56</td>
<td>47.5%</td>
</tr>
</tbody>
</table>

**n= 118**

Majority of the respondents (91.5%) suggested that interest rates should be reduced while 76.3% of them said the loan amounts should be increased. About 65.3% of them noted that group members should be education on the management of funds, with 56.8% of them noting that applications should processed immediately, 54.2% of them said that there should be follow up on the use of the loan with 51.7% of them indicating that once the loans are approved they should be advanced immediately and 47.5% noted that the groups paying on time should be able to receive the next loan immediately. The researcher observes that the group members felt that the interest rates should have been reduced but in comparison with bank loans the YEDF loan the interest rate is low hence the group members should not complain about this. The increase of the amount is gradually although the amount of money given may not do too much since it may only cover something small especially when the group is large not unless there is a joint
project. Hence the amount of money should be recognized in order to be helpful to the group members.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS
OF THE STUDY

5.1 Introduction
This chapter presents a summary of findings, conclusions and recommendations. The findings are summarized in line with the objectives of the study which was to examine the influence of management practices on repayment of the youth enterprise fund loans among youth groups in Limuru Sub-county, Kenya.

5.2 Summary of findings.
The study explored the effect of management practices on the repayment of youth enterprise development fund loans through examining the influence of group leadership, financial literacy, business experience and corporate governance. Further examined were the loan repayment trends and the influence of Government policies on the repayment of the loans. The study revealed that 47.5% of the respondents were involved in group meetings that were held once in a month. It also revealed that 86.0% of the respondents were satisfied with the group leadership.

5.2.1 Influence of financial literacy on repayment of the YEDF loans.
The study revealed that half of the respondents were helped by the financial management training received by some group members. Financial literacy is important factor in the determination of the management of the loans advanced to various groups since it determines how the money is used and how repayment is going to be facilitated. The study also established that a majority (59.3%) of the respondents did not feel helped by the members with financial management experience. Financial education can help the youth in making wise decisions and improve financial management skills and behaviour to reduce risk of running a business.

5.2.2 Influence of business experience on repayment of the YEDF loans.
The study established that (42.3%) of the respondents felt that they had business experience of 5-8 years while another 23.7% had none hence need to be exposed to
business experiences. The running experience is crucial for the youth groups to be able to make loan repayment. It also established that the groups had existed for a period of 1-3 years. This period is crucial since members are familiarizing with each other and also they have come together because of a common goal.

5.2.3 Influence of corporate governance on repayment of YEDF loan.
On the effect of corporate governance, 46.6% of the respondents said the group members were highly involved in management of the group and 39.0% said that the involvement was fair. The study revealed that group elections were held annually (68.6%). The study also established that 50.8% of them rated very high the group adherence to laws and regulations. On the level of education of the officials, majority of the respondent (56.0%) noted that the chairmen had attained secondary school level of education, while 50% of them noted that the secretaries had attained secondary level of education and 50.8% of them felt that treasures had attained secondary school level of education. The researcher noted that a few members indicated chairman, secretary and treasurer had primary level of education. Education determines how a group is going to be learning. On group dynamics majority of the respondents indicated that there was training on group dynamics and their importance. This had helped them to form the groups. The study established that majority of the respondents 83.9% had gotten a loan once while 16.1% had received twice. This was because they had been able to repay their first loan.

5.3 Conclusions of the study
From the findings the following conclusions were drawn.
A majority of the members were involved in the decisions making with their groups, hence had a positive attitude towards the group leadership. Constant meeting therefore would assist the members to evaluate their progress.

Financial literacy on loan repayment is very important this would encourage the groups members to make informed decisions. It would help them group together effectively. Financial education is very important.
Respondents with business experience should have mentored those who did not have any experience in order to help them make informed decisions on the form of investment made. This would help them to make informed decisions. The period of group existence is crucial since members are familiarizing with each other since they have come together because of a common goal.

Corporate governance is very important in all that people do this helps groups to evaluate their leaders and the investment made on their behave. This would encourage wise investments. The groups should be encouraged to make their loan repayment in order to get more money from the government encouraging them to grow further. The group elections are held annually and adhering to laws and regulations enables the group to run smoothly. The level of education is also very important since it determines how a group is going to run. The groups had gotten loans once and were able to repay back their loan.

It’s good for members to take government policies and regulations as guidance in the loans they take. This would help them in making good decision in the repayment of the loans they have received.

5.4 Recommendations of the study
The following recommendations were made.

The funds management needs to make it clear that the members of the groups need to be adequately involved in making of the group decisions. The groups should be advised on the importance of regular meetings to improve the communication among members and also to ease the processes of decision making while also providing a platform for airing of ideas to the group.

The Government through its officers in the YEDF should consider making financial management training provisions to the groups in the initial stages before the disbursement of the loan monies. They could consider making it a pre requisite for the groups to have undergone the training for their loan applications to be considered since the respondents seem to think it assists with the loan repayment through better loan management.
If possible and economically viable with the funds management, training in the development should be conducted for all the groups and if that proves to be a challenge, a workshop could be organized within the various regions and groups to be requested to send a representative or two to take part in the workshop to ensure the knowledge reaches all groups which will subsequently aid in running and planning of the group’s business. It might also be helpful to recommend finding members with this type of training for interested groups in future during the composition stages of the groups.

Whereas there are commendable levels of involvement of the members in the group management, all the members should be encouraged to participate to enhance cohesion of the groups; adherence to the laws should also be further enhanced by possible inclusion of fines and penalties for those that don’t adhere to them. Groups should be encouraged to hold elections regularly since with the change of guard comes new ideas that could curb redundancy and also probably give every member an opportunity to hold a leadership position which creates a sense of equality among the group members. The ideal term of office should probably last six months. It’s of paramount importance to emphasize on the importance of choosing well educated leaders, it’s understood that some of the groups could be predisposed to finding leaders with certain qualifications it should be strongly encouraged that groups consider this while picking group members and leaders. There is a need to ensure the training of some if not all of the group members on group dynamics as it’s considered important in the repayment of the loans for the members.

Strict measures need to be introduced for the groups that don’t make their payments on time as this is a revolving fund and the repayment rates influence the availability of the loans to other groups who might be in need of them. Business plans viability should be considered to ensure all groups that receive the loans have higher chances of managing to make the payments. To further enhance the groups commitment to repayments, strict measures should be introduced within the group to ensure that the members play their part in the repayment of the loans.
For instances where the challenges to the groups can be mitigated e.g. lateness of the members out of defiance, measures should be taken to improve the rates of servicing of the loans. And on the part of the suggestions, some of them may be impractical such as the reductions on the rates and the extension of the grace period, they should still be considered although they are likely unlikely to be changed. Some of them like the training of the members and constant follow ups are however viable suggestions and should be implemented by the funds management.

Ministry employees should be trained on the required skills of micro-credit while a regular capacity building among the youths should be affected so as to empower them. Adequate resources should be provided in order to enable smooth monitoring of all funded youth groups in addition to setting up a legal framework on how to handle defaulters. Regular review of interest rates and the minimum loan amount should be done in order to accommodate the changes in economic situation. Finally, a thorough vetting of groups before awarding them any loan should be done in order to ensure that they are sustainable and that their businesses are viable. The results will be useful to the government and other policy makers in making decisions on appropriate measures which can be put in place in order to reduce default rate. The findings will also benefit the donors and other stakeholders who want to fund youth activities in the model of Youth Enterprise Development Fund or in grants.

5.5 Suggestions for further research
A similar study should be carried out in other areas in the country to establish if the same recommendation can apply on the influence of management practice on repayment of the youth enterprise fund loans among youth groups.

A study on group members business experience on repayment of the youth enterprise fund loans among the youth groups.

Another study should be carried out on effects of corporate governance on the management and repayment of the youth enterprise fund loans among the youth groups.
REFERENCES


Youth Enterprise Development Fund’s Website, www.yedf.go.ke
APPENDICES

APPENDIX I: AUTHORIZATION LETTER

Our Ref: YEDFB/CEO/6666/13

18th June 2013

Boniface Kamau Ngigi
P.O. Box 1015-00217
NAIROBI

RE: CONDUCTING RESEARCH ON PARTICIPATION INFLUENCE OF MANAGEMENT OF MANAGEMENT PRACTICE ON LOANS REPAYMENT IN LIMURU DISTRICT

I am in receipt of your request to undertake Research on “The influence of management practice on the repayment of the Youth Enterprise Development Fund among the youth in Limuru District.”

You are hereby informed that your request was accepted and herof advised to liaise with the Funds’ Research unit, Limuru Constituency officer and the relevant officers to assist you in undertaking your study.

You are further advised to share a copy of the findings with the Fund in order to share lessons learnt and inherent opportunities for the Fund to explore in Turkana South.

Wishing you success in your undertaking.

Yours sincerely,

Catherine N. Namuye
AG, CHIEF EXECUTIVE OFFICER

C.C Limuru Constituency Officer-YEDFB
APPENDIX II: LETTER OF INTRODUCTION

BONFACE KAMAU NGIGI,
P.O. Box 1015-00217,
Limuru-Kenya

Dear Sir/Madam,

RE: TO WHOM IT MAY CONCERN

I am BONFACE KAMAU NGIGI, a student researcher from the University of Nairobi carrying out a survey to identify the ‘Influence of Management Practices on Repayment of the Youth Enterprise Fund Loans among Youth Groups in Limuru District’

In my schedule, I would be visiting your youth group for a face-to-face interview with the group members who have been sampled for this purpose to represent your group. The date, time of arrival and departure will be communicated to your group over cell phone. Kindly circulate this information to all members for maximum participation.

Yours Faithfully,

BONFACE KAMAU NGIGI
L50/65412/2010
APPENDIX III: QUESTIONNAIRE FOR THE YOUTH GROUP MEMBERS

INTRODUCTION
I am a Postgraduate student at the University of Nairobi. As part of the fulfillment of the requirements to the award of the Masters of Arts in Project Planning and Management degree, I am undertaking a research project on Youth Enterprise Funds in Limuru District. You have been selected to participate in this study and I would kindly request for your assistance to provide the information I need. The information provided is strictly for academic purpose and will be handled with strict confidence. Your assistance and cooperation will be highly appreciated.

Code: ……………………..

SECTION 1: PERSONAL INFORMATION
1.1 Name of Respondent: (Optional)…………………………………………………..

Gender of Respondent Male [ ] Female[ ]

1.2 What is the main business activity is your group engaged in?………………

……………………………………………………………………………………………………

1.3 What is your marital status?

Single [ ] Married [ ] Cohabitation [ ]

Separated [ ] Divorced [ ] Widow [ ]

Widower[ ] Others (Specify)…………………………………………………………..
1.4 What is your highest level of education?

- Primary [ ]
- Secondary [ ]
- College/Institute Training [ ]
- Graduate [ ]
- Post-Graduate [ ]
- Others (Specify) [ ]

1.5 What is your daily occupation?

- Formally Employed [ ]
- Informally Employed [ ]
- Unemployed [ ]
- Student [ ]
- Part-Time Worker [ ]
- Others (Specify) [ ]

1.6 Age of Respondents

- 15-19 [ ]
- 20-24 [ ]
- Below 15 [ ]
- 25-39 [ ]
- 30-35 [ ]
- Above 35 [ ]

1.7 Your group has how many members? ........................................................

SECTION 2: LEADERSHIP STYLE

2.0 What is your position in the group?

- Chairperson [ ]
- Secretary [ ]
- Treasury [ ]
- Member [ ]
- Others (Specify) [ ]

2.1 How do you rate the level of involvement in the group members in decision making?

(Tick as appropriate)

<table>
<thead>
<tr>
<th>Very High</th>
<th>High</th>
<th>Fair</th>
<th>Low</th>
<th>Very low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.2 Why do you rate.................. (In Q 2.1 above)

........................................................................................................................................

2.3 How frequently are group meetings held (Tick as appropriate)

- Quarterly or less ( )
- Monthly ( )
- Once a fortnight ( )
- Once a week ( )
- More than once a week ( )
- Others (Specify) [ ]

How do you rate the level of satisfaction with the group leadership? (Tick as appropriate)

<table>
<thead>
<tr>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Very Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Why do you rate........................................ (In Q2.4 above)
SECTION 3: FINANCIAL LITERACY
How many members in your group have been trained on financial management? (Indicate number).........................
Do this trained members help in the repayment of the loan? Yes (  ) No (  )
If Yes in Q3.2 above, How?
 ..........................................................................................................................
 ..........................................................................................................................
 ..........................................................................................................................
 ..........................................................................................................................

How many members in your group have any experience in financial management? (Indicate number).........................
Do these members assist in the repayment of the loan? Yes (  ) No (  )
If Yes in Q3.4, How do they assist in the repayment?
 ..........................................................................................................................
 ..........................................................................................................................
 ..........................................................................................................................
 ..........................................................................................................................

SECTION 4: BUSINESS EXPERIENCE
4.1 How many members in your group have been trained on development of business plans/strategy? (Indicate number).........................

4.2 How do these members in Q4.1 assist in the management of the group?
 ..........................................................................................................................
 ..........................................................................................................................
4.3 How many members in your group have any experience in running a business?  
(Indicate number)

4.3 How do they help in the repayment of the loan?

.......................................................................................................................................................
.......................................................................................................................................................

4.4 How long has the group been in existence? (Tick appropriately)

Less than a year (  ) 1-3 years (  ) 3-5 years (  ) More than 5 years (  )

SECTION 5: CORPORATE GOVERNANCE

How do you rate the level of involvement of members in the managing of the group affairs? (Tick appropriately)

<table>
<thead>
<tr>
<th>Very High</th>
<th>High</th>
<th>Fair</th>
<th>Low</th>
<th>Very low</th>
</tr>
</thead>
</table>

5.1 Why do you rate…….? (In Q5.1 above)

.......................................................................................................................................................
.......................................................................................................................................................

5.2 How frequently are group elections held? (Tick appropriately)

Quarterly (  ) Biannually (  ) Annually (  ) Others Specify).................................

5.3 Who elects officials? (Tick appropriately)

All members (  ) More than half of members (  ) Half of members (  )

Others (Specify)..................

5.4 How do you rate the level of adherence by members to the groups’ by laws and regulations? (Tick appropriately)

<table>
<thead>
<tr>
<th>Very High</th>
<th>High</th>
<th>Fair</th>
<th>Low</th>
<th>Very low</th>
</tr>
</thead>
</table>

64
Why do you rate................? (In Q5.5 above)

...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................

5.5 Kindly indicate the highest level of education of the officials? (Code appropriately)

<table>
<thead>
<tr>
<th>Official</th>
<th>Measurement</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>1= None; 2= Primary; 3= Secondary; 4= Tertiary (College); 5= University</td>
<td></td>
</tr>
<tr>
<td>Secretary</td>
<td>1= None; 2= Primary; 3= Secondary; 4= Tertiary (College); 5= University</td>
<td></td>
</tr>
<tr>
<td>Treasurer</td>
<td>1= None; 2= Primary; 3= Secondary; 4= Tertiary (College); 5= University</td>
<td></td>
</tr>
</tbody>
</table>

5.6 How many members in your group have been trained on group dynamics? 

................................. (Indicate number)

5.8 Does your group keep minutes of meeting Yes ( ) No ( )

5.9 Do the meetings help in the repayment of the loan? Yes ( ) No ( )

SECTION 6: LOAN REPAYMENT

6.1 How many times has your group received a loan from the Youth Enterprise Development Fund between 2007 and 2012? (Tick appropriately)

Once ( ) Twice ( ) Thrice ( ) More than once ( )

6.2 How much loan did your group receive ............... 

6.3 How much have you repaid so far .................

6.4 For the last C-YES loan your group received from the YEDF, was your group able to repay within the agreed timelines? (Tick appropriately)

Yes ( ) No ( )

6.5 If stated No in Q6.4, why not?

...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................

65
6.1 Do you have any group member who has not been repaying the loan in your group?
Yes ( ) No ( )

6.7 If Yes in Q6.7, what techniques have you been applying to ensure as a group you are able to repay your loan?

………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

SECTION 7: GOVERNMENT POLICY AND REGULATIONS

7.1 In your opinion, do you think the Government policies on YEDF influence the repayment of YEDF loans by youth groups?
Yes ( ) No ( )
If YES how?

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8.0 What challenges did your group encounter in repayment of the C-YES loans?
(i) ............................................................................................................................
(ii) ............................................................................................................................
(iii) ............................................................................................................................

8.2 What would you like YEDF to improve to assist the youth groups in the repayment of C-YES loans?
(i) ............................................................................................................................
(ii) ............................................................................................................................
(iii) ............................................................................................................................

Thank you for your Cooperation